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Diana T Fritz 05/24/2007 04:54:07 PM From DB/Inbox: Search Results

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SIPDIS
TELEGRAM

March 10, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 1137 - UNKNOWN)
TAGS: EFIN, ETTC, EINV, PGOV
Captions: None
Subject: DUBAI INTERNATIONAL FINANCIAL CENTER TO GO FORWARD, BUT
UNDER UAE CENTRAL BANK SUPERVISION
Ref: None

C O N F I D E N T I A L ABU DHABI 01137

SIPDIS
CXABU:
ACTION: ECON
INFO: P/M AMB POL DCM
Laser1:
INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: DCM:RAALBRIGHT
DRAFTED: ECON:TEWILLIAMS
CLEARED: CGD:RGOLSON

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DE RUEHAD #1137 0691053
ZNY CCCCC ZZH
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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8756
INFO RUEHZM/GCC COLLECTIVE
RUEATRS/TREASURY DEPT WASHDC
RUEAWJA/DOJ WASHDC
RHEHNSC/NSC WASHDC
RUEHLO/AMEMBASSY LONDON 0593
RUEHFR/AMEMBASSY PARIS 0653

C O N F I D E N T I A L ABU DHABI 001137

SIPDIS

STATE FOR NEA/ARP - HEFFERNAN, NEA/RA - SUTPHIN,
EB/ESC/ESP AND INL/C - CASSARA
TREASURY FOR OGC - AUFHAUSER
TREASURY ALSO FOR NILMINI GUNARATNE
TREASURY PASS OFAC FOR NEWCOMB
DOJ FOR TED GREENBERG

E.O. 12958: DECL: 03/10/07
TAGS: [EFIN](#) [ETTC](#) [EINV](#) [PGOV](#) [TC](#)
SUBJECT: DUBAI INTERNATIONAL FINANCIAL CENTER TO GO
FORWARD, BUT UNDER UAE CENTRAL BANK SUPERVISION

REF: A) 02 DUBAI 3536, B) 02 ABU DHABI 3435

[1](#)1. CLASSIFIED BY DCM RICHARD A. ALBRIGHT FOR

REASONS 1.5 (B,D).

¶2. (C) UAE Central Bank Governor Sultan bin Nasser Al-Suweidi told Econchief March 8 that the long-anticipated Dubai International Financial Center (DIFC -- a much-publicized plan to create a state of the art financial services sector in Dubai, see refs) will be created shortly via the issuance of a Federal Decree. However, while the authorities in Dubai, where DIFC will be located, had pushed hard for authority to establish their own independent regulatory and supervisory authority (in effect, off-shore status), that view had not won out and instead the Federal government (read: the Central Bank) would oversee and limit the powers of the new financial center. "Our view has won," Al-Suweidi noted with some satisfaction; "the Central Bank will supervise DIFC, ensuring full compliance with relevant UAE laws, particularly money-laundering legislation."

¶3. (C) The Governor anticipated that the Federal Decree creating the DIFC could be issued within then next few weeks. DIFC would be involved in bank back-office operations, reinsurance, Islamic banking and asset management. He noted that technical meetings had already begun between DIFC personnel and both the SEC-equivalent and the Ministry of Economy and Commerce, which regulates insurance (reinsurance is an area DIFC is hoping to get into). Nonetheless, while DIFC looked set for a launch in the near to medium term, Al-Suweidi cautioned that the blue-chip companies from the West which DIFC sought to attract would not all flock to Dubai at once. "I expect it will take some time for these well-known global firms to invest," the Governor observed, "particularly given the current tensions in the region."

¶4. (C) COMMENT: The outcome anticipated by the Governor is the right one for DIFC. At the end of the day, regardless of how good the rules might be that DIFC would put into place (and they hired some of the best legal and regulatory talent around), self-regulation (i.e., a quasi-off-shore status) is not the way to ensure high standards of accountability, since most observers have more faith in the probity of the UAE Central Bank than they do in the complicated by-laws proposed by DIFC's backers. Central Bank supervision can also ensure that the UAE's new anti-money laundering law will be effectively implemented -- one of our key concerns all along. If things go as predicted by the Governor, regulators of financial services industries across the OECD, but particularly in the U.S., U.K., and France, may find it easier to grant permission for the companies they oversee to participate in DIFC, and make it the kind of success its proponents in Dubai are hoping for.

¶5. (U) This message coordinated with Amconsul Dubai.

Wahba